

MAHARISHI VEDIC CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

MAHARISHI VEDIC CITY, IOWA

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MAHARISHI VEDIC CITY, IOWA

OFFICIALS
JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Wynne	Mayor	December 2011
Rogers Badgett	Council Member	December 2011
R. Chris Johnson	Council Member	December 2011
Tim Fitz-Randolph	Council Member	December 2011
William Goldstein	Council Member	December 2011
Maureen Wynne	Council Member	December 2011
Kathy Petersen	City Clerk	Indefinite
Kathy Petersen	City Treasurer	Indefinite
Nancy Watkins	City Attorney	Indefinite
Kent Boyum	Director of Economic Development	Indefinite



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maharishi Vedic City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of Maharishi Vedic City, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy our selves as to the distribution by fund of the total fund balance at June 30, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at June 30, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maharishi Vedic City, Iowa as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2012 on our consideration of Maharishi Vedic City, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws; regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maharishi Vedic City, Iowa's basic financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
April 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maharishi Vedic City, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 8.9%, or \$18,258, from fiscal 2010 to fiscal 2011. Operating grants, contributions and restricted interest decreased \$15,229 and other general receipts decreased \$2,738.
- Disbursements of the City's governmental activities increased by 11.0%, or \$21,249, from fiscal 2010 to fiscal 2011. General government disbursements increased by \$4,647 primarily as the result of an increase in wages compared to the prior year. In addition, community and economic development disbursements increased \$20,238 compared to prior year as more City development was done this fiscal year.
- The City's total cash basis net assets increased 15.6%, or \$17,870 from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities decreased \$26,949 and the net assets of the business type activities increased by \$44,819.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Receipts by Source and Disbursements by Function provides details of the City's governmental receipts and disbursements.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state, federal and local grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and organic farming and housing. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as State Road Use Tax and 3) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one major Enterprise Fund to provide information for the water and sewer fund. The City also maintains two non major Enterprise Funds to account for organic farming and housing activity.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balances for governmental activities decreased from a year ago, from \$81,619 to \$54,670. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u> (unaudited)
Receipts:		
Program receipts:		
Operating grants, contributions and restricted interest	\$ 137,370	\$ 152,599
General receipts:		
Property and other city tax	43,406	43,640
Local option sales tax	5,788	5,800
Unrestricted interest on investments	170	215
Other general receipts	<u>1,078</u>	<u>3,816</u>
Total receipts	<u>187,812</u>	<u>206,070</u>
Disbursements:		
Public safety	22,569	22,511
Public works	6,646	6,550
Culture and recreation	6,790	10,043
Community and economic development	114,534	94,296
General government	32,815	28,168
Debt service	<u>31,407</u>	<u>31,944</u>
Total disbursements	<u>214,761</u>	<u>193,512</u>
Change in cash basis net assets	(26,949)	12,558
Cash basis net assets beginning of year	<u>81,619</u>	<u>69,061</u>
Cash basis net assets end of year	\$ <u>54,670</u>	\$ <u>81,619</u>

The City's total receipts for governmental activities decreased by 8.9%, or \$18,258. The total cost of all programs and services increased by \$21,249, or 11.0%, with no new programs added this year. The decrease in receipts was primarily due to less operating grants, contributions and restricted interest received this year than in prior year. The increase in expenditures was primarily due to more money spent on community and economic development this year than in the prior year.

The cost of all governmental activities this year was \$214,761 compared to \$193,512 last year. However, as shown in the Statement of Activities and Net Assets on pages 10 and 11, the amount taxpayers ultimately financed for these activities was only \$77,391 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest of \$137,370. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from \$152,599 to \$137,370, primarily due to less operating grants, contributions and restricted interest received during the current fiscal year. The City paid for the remaining "public benefit" portion of governmental activities (\$77,391) with tax (some of which could only be used for certain programs), and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
		(unaudited)
Receipts:		
Program receipts:		
Charges for service:		
Water/Sewer	\$ 459,761	\$ 317,933
Other business-type activities	41,657	77,344
General receipts:		
Unrestricted interest on investments	2	6
Bond proceeds	650,736	1,075,679
Miscellaneous	<u>3,500</u>	<u>449,842</u>
Total receipts	<u>1,155,656</u>	<u>1,920,804</u>
Disbursements:		
Water/Sewer	1,069,117	933,640
Other business-type activities	<u>41,720</u>	<u>970,971</u>
Total disbursements	<u>1,110,837</u>	<u>1,904,611</u>
Change in cash basis net assets	44,819	16,193
Cash basis net assets beginning of year	<u>33,204</u>	<u>17,011</u>
Cash basis net assets end of year	\$ <u>78,023</u>	\$ <u>33,204</u>

Total business type activities receipts for the fiscal year were \$1,155,656 compared to \$1,920,804 in the prior year. Total disbursements for the fiscal year decreased by 41.7%, to \$1,110,837.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the Maharishi Vedic City, Iowa completed the year, its governmental funds reported a combined fund balance of \$54,670, a decrease of \$26,949 from last year's total of \$81,619. The following are the major reasons for significant changes in fund balances of the major funds from the prior year.

- The State Road Use Tax Fund cash balance decreased by \$2,370 to \$7,728. This decrease was primarily due to money spent on City road upgrades and debt service payments in excess of monies received during the fiscal year.
- The Restricted Donations Fund cash balance decreased by \$22,571 to \$6,420. This decrease was primarily due to less contributions received and more money spent on community and economic development this fiscal year. There were adequate funds to absorb the deficiency of revenue under expenses and the money expended was restricted for such purposes.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water/Sewer Fund cash balance increased by \$44,880 to \$86,162, due primarily to an increase in water sales and sewer charges which were partially absorbed by an increase in debt service payments over the prior year.

BUDGETARY HIGHLIGHTS

The original budget was approved on March 5, 2010 and no amendments were made over the course of the year. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$3,934,340 in bonds and notes outstanding, compared to \$3,491,971 last year, as shown below.

Outstanding Debt at Year End

	June 30, <u>2011</u>	June 30, <u>2010</u>
<u>Revenue Bonds:</u>		
Sewer Revenue Refunding Bonds, Series 2007	\$ 730,000	\$ 775,000
Water Revenue Refunding Bonds, Series 2007	70,000	75,000
Sewer Revenue Bonds, Series 2007	778,000	813,000
Sewer Revenue Bonds, Series 2010A	617,840	73,971
Taxable Housing Development Fund Revenue Bonds	<u>225,000</u>	<u>225,000</u>
Total	<u>2,420,840</u>	<u>1,961,971</u>
<u>Revenue Notes:</u>		
Road Use Tax Revenue Note	40,000	50,000
University Revenue Note, Series 1	500,000	500,000
Water Revenue Loan Agreement Anticipation Note	58,500	65,000
Sewer Revenue Loan Agreement Anticipation Note	150,000	150,000
Taxable Organic Greenhouse Revenue Notes	<u>765,000</u>	<u>765,000</u>
Total	<u>1,513,500</u>	<u>1,530,000</u>
Grand Total	\$ <u>3,934,340</u>	\$ <u>3,491,971</u>

Debt increased as a result of proceeds from debt related to sewer construction less required payments made during the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City had no outstanding general obligation debt at June 30, 2011 and, therefore, is below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Maharishi Vedic City, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 6.7% (October 2011), versus 7.5% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 8.5%.

Inflation in the state was slightly higher than the national Consumer Price Index increase. The state's CPI increase was 5.25% for fiscal year 2011 compared with the national rate increase of 3.52%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$4,275,209, an increase of 73.7% from the final 2011 budget. Budgeted disbursements and transfers are expected to increase by approximately \$1.73 million primarily due to more money expected to be spent in the public works and business-type activities functions in fiscal year 2012. The City has added no major new programs or initiatives to the 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by \$159,569 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Petersen, City Clerk, 1750 Maharishi Center Ave., Maharishi Vedic City, Iowa 52556.

BASIC FINANCIAL STATEMENTS

MAHARISHI VEDIC CITY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<u>Governmental activities:</u>			
Public safety	\$ 22,569	\$ -	\$ -
Public works	6,646	-	15,606
Culture and recreation	6,790	-	301
Community and economic development	114,534	-	114,030
General government	32,815	-	7,433
Debt service	31,407	-	-
Total governmental activities	<u>214,761</u>	<u>-</u>	<u>137,370</u>
<u>Business type activities:</u>			
Water/Sewer	1,069,117	459,761	-
Other business type activities	41,720	41,657	-
Total business type activities	<u>1,110,837</u>	<u>501,418</u>	<u>-</u>
Total	\$ <u>1,325,598</u>	\$ <u>501,418</u>	\$ <u>137,370</u>

General receipts:

Property and other City tax levied for:
 General purposes
 Local option sales tax
 Unrestricted interest on investments
 Bond proceeds
 Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:

Nonexpendable:

Raam

Expendable:

Streets

Economic development

Debt Service

Other purposes

Unrestricted

Total cash basis net assets

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (22,569)	\$ -	\$ (22,569)
8,960	-	8,960
(6,489)	-	(6,489)
(504)	-	(504)
(25,382)	-	(25,382)
(31,407)	-	(31,407)
<u>(77,391)</u>	<u>-</u>	<u>(77,391)</u>
-	(609,356)	(609,356)
-	(63)	(63)
<u>-</u>	<u>(609,419)</u>	<u>(609,419)</u>
<u>(77,391)</u>	<u>(609,419)</u>	<u>(686,810)</u>
43,406	-	43,406
5,788	-	5,788
170	2	172
-	650,736	650,736
<u>1,078</u>	<u>3,500</u>	<u>4,578</u>
<u>50,442</u>	<u>654,238</u>	<u>704,680</u>
(26,949)	44,819	17,870
<u>81,619</u>	<u>33,204</u>	<u>114,823</u>
\$ <u>54,670</u>	\$ <u>78,023</u>	\$ <u>132,693</u>
\$ 28,443	\$ -	\$ 28,443
7,728	-	7,728
6,420	-	6,420
-	86,162	86,162
8,787	-	8,787
<u>3,292</u>	<u>(8,139)</u>	<u>(4,847)</u>
\$ <u>54,670</u>	\$ <u>78,023</u>	\$ <u>132,693</u>

MAHARISHI VEDIC CITY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue			Permanent	Nonmajor Governmental Funds	Total
	General	State Road Use Tax	Restricted Donations	Raam		
RECEIPTS:						
Property tax	\$ 43,406	\$ -	\$ -	\$ -	\$ -	\$ 43,406
Other City tax	-	-	-	-	5,788	5,788
Use of money and property	170	-	24	301	-	495
Intergovernmental	-	15,606	-	-	14,867	30,473
Miscellaneous	-	-	106,572	910	168	107,650
Total receipts	<u>43,576</u>	<u>15,606</u>	<u>106,596</u>	<u>1,211</u>	<u>20,823</u>	<u>187,812</u>
DISBURSEMENTS:						
Operating:						
Public safety	22,569	-	-	-	-	22,569
Public works	-	5,978	-	-	668	6,646
Culture and recreation	-	-	-	149	6,641	6,790
Community and economic development	-	-	109,758	-	4,776	114,534
General government	22,005	-	-	-	10,810	32,815
Debt service	-	11,998	19,409	-	-	31,407
Total disbursements	<u>44,574</u>	<u>17,976</u>	<u>129,167</u>	<u>149</u>	<u>22,895</u>	<u>214,761</u>
Net change in cash balances	<u>(998)</u>	<u>(2,370)</u>	<u>(22,571)</u>	<u>1,062</u>	<u>(2,072)</u>	<u>(26,949)</u>
CASH BALANCES - Beginning of year	<u>4,290</u>	<u>10,098</u>	<u>28,991</u>	<u>27,381</u>	<u>10,859</u>	<u>81,619</u>
CASH BALANCES - End of year	<u>\$ 3,292</u>	<u>\$ 7,728</u>	<u>\$ 6,420</u>	<u>\$ 28,443</u>	<u>\$ 8,787</u>	<u>\$ 54,670</u>
Cash Basis Fund Balances:						
Nonspendable - Raam	\$ -	\$ -	\$ -	\$ 28,443	\$ -	\$ 28,443
Restricted for:						
Streets	-	7,728	-	-	-	7,728
Economic development	-	-	6,420	-	-	6,420
Other purposes	-	-	-	-	8,787	8,787
Unassigned	<u>3,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,292</u>
Total cash basis fund balances	<u>\$ 3,292</u>	<u>\$ 7,728</u>	<u>\$ 6,420</u>	<u>\$ 28,443</u>	<u>\$ 8,787</u>	<u>\$ 54,670</u>

MAHARISHI VEDIC CITY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water/ Sewer	Other Nonmajor	Total
<u>Operating receipts:</u>			
Charges for service	\$ 459,761	\$ 41,657	\$ 501,418
Miscellaneous	3,500	-	3,500
Total operating receipts	<u>463,261</u>	<u>41,657</u>	<u>504,918</u>
<u>Operating disbursements:</u>			
Business type activities	<u>227,940</u>	<u>53</u>	<u>227,993</u>
Excess of operating receipts over operating disbursements	<u>235,321</u>	<u>41,604</u>	<u>276,925</u>
<u>Non-operating receipts (disbursements):</u>			
Interest on investments	-	2	2
Revenue bond proceeds	650,736	-	650,736
Debt service	(211,139)	(41,667)	(252,806)
Capital projects	<u>(630,038)</u>	<u>-</u>	<u>(630,038)</u>
Net non-operating receipts (disbursements)	<u>(190,441)</u>	<u>(41,665)</u>	<u>(232,106)</u>
Net change in cash balances	44,880	(61)	44,819
<u>CASH BALANCES</u> - Beginning of year	<u>41,282</u>	<u>(8,078)</u>	<u>33,204</u>
<u>CASH BALANCES</u> - End of year	\$ <u>86,162</u>	\$ <u>(8,139)</u>	\$ <u>78,023</u>
<u>Cash Basis Fund Balances</u>			
Restricted for debt service	\$ 86,162	\$ -	\$ 86,162
Unrestricted	<u>-</u>	<u>(8,139)</u>	<u>(8,139)</u>
Total cash basis fund balances	\$ <u>86,162</u>	\$ <u>(8,139)</u>	\$ <u>78,023</u>

MAHARISHI VEDIC CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Maharishi Vedic City, Iowa is a political subdivision of the State of Iowa located in Jefferson County. It was first incorporated in 2001 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, Maharishi Vedic City, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by property and other city tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets – Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds, respectively.

MAHARISHI VEDIC CITY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The State Road Use Tax fund is used to account for the road use tax allocation from the State of Iowa to be used to for road construction and maintenance.

The Restricted Donations fund is used to account for funds received which are restricted for economic development and culture and recreation, unless otherwise specified.

Permanent

The Raam fund is used to account for the activity which is based on the sale of Raam currency, an alternative currency available for use in the City and at some locations in the Fairfield, Iowa area.

The City reports the following major proprietary fund:

The Water/Sewer fund accounts for operation and maintenance of the City's water system, waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

Maharishi Vedic City, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

MAHARISHI VEDIC CITY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City had no investments at June 30, 2011.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

MAHARISHI VEDIC CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3: BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for revenue bonds and revenue notes are as follows:

Year Ending June 30,	Revenue Bonds		Revenue Notes		Total	
	Total Principal	Total Interest	Total Principal	Total Interest	Total Principal	Total Interest
2012	\$ 121,000	\$ 91,572	\$ 930,000	\$ 80,403	\$ 1,051,000	\$ 171,975
2013	348,000	87,131	15,000	23,017	363,000	110,148
2014	125,000	69,257	558,500	15,921	683,500	85,178
2015	132,000	64,743	10,000	400	142,000	65,143
2016	134,000	59,984	-	-	134,000	59,984
2017	141,000	54,940	-	-	141,000	54,940
2018	143,000	49,670	-	-	143,000	49,670
2019	140,000	44,270	-	-	140,000	44,270
2020	143,000	39,100	-	-	143,000	39,100
2021	151,000	33,667	-	-	151,000	33,667
2022	158,000	27,947	-	-	158,000	27,947
2023	160,000	21,895	-	-	160,000	21,895
2024	88,000	15,788	-	-	88,000	15,788
2025	91,000	13,105	-	-	91,000	13,105
2026	93,000	10,375	-	-	93,000	10,375
2027	97,000	7,585	-	-	97,000	7,585
2028	99,000	4,688	-	-	99,000	4,688
2029	43,000	1,705	-	-	43,000	1,705
2030	<u>13,840</u>	<u>415</u>	<u>-</u>	<u>-</u>	<u>13,840</u>	<u>415</u>
Total	\$ <u>2,420,840</u>	\$ <u>697,837</u>	\$ <u>1,513,500</u>	\$ <u>119,741</u>	\$ <u>3,934,340</u>	\$ <u>817,578</u>

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$95,000 in water revenue bonds issued in November 2007. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2018. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$82,880. For the current year, principal and interest paid and total customer net receipts were \$8,355 and \$30,653, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$885,000 in sewer revenue bonds issued in November 2007. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. The notes are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$965,859. For the current year, principal and interest paid and total customer net receipts were \$79,800 and \$427,607, respectively.

MAHARISHI VEDIC CITY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Forgivable Loan

On February 10, 2010, the City entered into a forgivable loan agreement with the Iowa Finance Authority for the issuance of \$444,000 of forgivable sewer revenue bonds. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal wastewater treatment system of the City. If the requirements of ARRA, including, but not limited to, satisfaction of applicable timing requirements are not met and the loan is not forgiven, the City will pay interest at 3.0% per annum. During the year ended June 30, 2011, the City drew down \$82,867 of the forgivable loan, bringing total drawdowns to the authorized amount of \$444,000. At June 30, 2011, the City had not yet met the requirements for the loan to be forgiven.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$3,788, \$3,621, and \$3,523, respectively, equal to the required contributions for each year.

NOTE 5: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$79,305 during the year ended June 30, 2011.

NOTE 6: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

MAHARISHI VEDIC CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6: RISK MANAGEMENT (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$11,383.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7: DEFICIT BALANCES

The Organic Farms and Housing proprietary funds had a deficit balances at June 30, 2011 of \$5,773 and \$2,366, respectively, which will be eliminated upon the receipt of future operating revenues.

MAHARISHI VEDIC CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2012, the date the financial statements were available to be issued.

In July of 2011, the City refinanced \$765,000 of Organic Greenhouse revenue notes. Also in December 2011, the City refinanced \$150,000 of Sewer revenue notes and issued \$40,000 of revenue bonds.

REQUIRED SUPPLEMENTARY INFORMATION

MAHARISHI VEDIC CITY, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 43,406	\$ -	\$ 43,406
Other City tax	5,788	-	5,788
Use of money and property	495	2	497
Intergovernmental	30,473	-	30,473
Charges for service	-	501,418	501,418
Miscellaneous	<u>107,650</u>	<u>3,500</u>	<u>111,150</u>
Total receipts	<u>187,812</u>	<u>504,920</u>	<u>692,732</u>
<u>DISBURSEMENTS:</u>			
Public safety	22,569	-	22,569
Public works	6,646	-	6,646
Culture and recreation	6,790	-	6,790
Community and economic development	114,534	-	114,534
General government	32,815	-	32,815
Debt service	31,407	-	31,407
Business type activities	<u>-</u>	<u>1,110,837</u>	<u>1,110,837</u>
Total disbursements	<u>214,761</u>	<u>1,110,837</u>	<u>1,325,598</u>
Deficiency of receipts under disbursements	(26,949)	(605,917)	(632,866)
Other financing sources (uses), net	<u>-</u>	<u>650,736</u>	<u>650,736</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(26,949)	44,819	17,870
<u>BALANCES</u> - Beginning of year	<u>81,619</u>	<u>33,204</u>	<u>114,823</u>
<u>BALANCES</u> - End of year	\$ <u>54,670</u>	\$ <u>78,023</u>	\$ <u>132,693</u>

<u>Budgeted Amounts</u>	<u>Final to Total Variance</u>
<u>Original/Final</u>	
\$ 45,956	\$ (2,550)
32,040	(26,252)
2,800	(2,303)
15,000	15,473
1,255,000	(753,582)
510,000	(398,850)
<u>1,860,796</u>	<u>(1,168,064)</u>
23,300	731
8,240	1,594
51,500	44,710
304,000	189,466
39,600	6,785
45,000	13,593
<u>1,917,300</u>	<u>806,463</u>
<u>2,388,940</u>	<u>1,063,342</u>
(528,144)	(104,722)
<u>600,000</u>	<u>50,736</u>
71,856	(53,986)
<u>210,557</u>	<u>(95,734)</u>
\$ <u>282,413</u>	\$ <u>(149,720)</u>

MAHARISHI VEDIC CITY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue			
	Hotel/ Motel Tax	Local Option Sales Tax	Shop	Total
RECEIPTS:				
Other City tax	\$ -	\$ 5,788	\$ -	\$ 5,788
Intergovernmental	14,867	-	-	14,867
Miscellaneous	-	-	168	168
Total receipts	<u>14,867</u>	<u>5,788</u>	<u>168</u>	<u>20,823</u>
DISBURSEMENTS:				
Operating:				
Public works	-	668	-	668
Culture and recreation	2,519	4,122	-	6,641
Community and economic development	1,974	2,802	-	4,776
General government	<u>10,385</u>	<u>346</u>	<u>79</u>	<u>10,810</u>
Total disbursements	<u>14,878</u>	<u>7,938</u>	<u>79</u>	<u>22,895</u>
Net change in cash balances	<u>(11)</u>	<u>(2,150)</u>	<u>89</u>	<u>(2,072)</u>
CASH BALANCES - Beginning of year	<u>5,898</u>	<u>5,050</u>	<u>(89)</u>	<u>10,859</u>
CASH BALANCES - End of year	\$ <u>5,887</u>	\$ <u>2,900</u>	\$ <u>-</u>	\$ <u>8,787</u>
Cash Basis Fund Balances:				
Restricted for:				
Other purposes	\$ <u>5,887</u>	\$ <u>2,900</u>	\$ <u>-</u>	\$ <u>8,787</u>

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Organic Farms</u>	<u>Housing</u>	<u>Total</u>
<u>Operating receipts:</u>			
Charges for service	\$ <u>33,000</u>	\$ <u>8,657</u>	\$ <u>41,657</u>
<u>Operating disbursements:</u>			
Business type activities	<u>53</u>	<u>-</u>	<u>53</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	32,947	8,657	41,604
<u>Non-operating receipts (disbursements):</u>			
Interest on investments	2	-	2
Debt service	<u>(33,010)</u>	<u>(8,657)</u>	<u>(41,667)</u>
Net non-operating receipts (disbursements)	<u>(33,008)</u>	<u>(8,657)</u>	<u>(41,665)</u>
Net change in cash balances	(61)	-	(61)
<u>CASH BALANCES</u> - Beginning of year	<u>(5,712)</u>	<u>(2,366)</u>	<u>(8,078)</u>
<u>CASH BALANCES</u> - End of year	\$ <u>(5,773)</u>	\$ <u>(2,366)</u>	\$ <u>(8,139)</u>
<u>Cash Basis Fund Balances:</u>			
Unrestricted	\$ <u>(5,773)</u>	\$ <u>(2,366)</u>	\$ <u>(8,139)</u>

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue bonds:			
Sewer Revenue Refunding Bonds, Series 2007	November 30, 2007	3.95-4.80%	\$ 885,000
Water Revenue Refunding Bonds, Series 2007	November 30, 2007	4.00-4.80%	95,000
Sewer Revenue Bonds, Series 2007	December 27, 2007	3.00%	880,000
Sewer Revenue Bonds, Series 2010A	February 10, 2010	3.00%	673,000
Taxable Housing Development Fund Revenue Bonds	April 26, 2010	Variable	225,000
Total			
Revenue notes:			
Road Use Tax Revenue Note	October 25, 2003	4.00%	\$ 100,000
University Revenue Note, Series 1	February 2, 2004	Variable	500,000
Water Revenue Loan Agreement Anticipation Note	November 14, 2008	4.50%	65,000
Sewer Revenue Loan Agreement Anticipation Note	November 12, 2009	4.50%	150,000
Taxable Organic Greenhouse Revenue Notes	Various	5.95-8.05%	785,000
Total			

SCHEDULE 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 775,000	\$ -	\$ 45,000	\$ 730,000	\$ 34,800	\$ -
75,000	-	5,000	70,000	3,355	-
813,000	-	35,000	778,000	24,390	-
73,971	567,869	24,000	617,840	14,692	-
225,000	-	-	225,000	13,454	-
<u>\$ 1,961,971</u>	<u>\$ 567,869</u>	<u>\$ 109,000</u>	<u>\$ 2,420,840</u>	<u>\$ 90,691</u>	<u>\$ -</u>
\$ 50,000	\$ -	\$ 10,000	\$ 40,000	\$ 1,998	\$ -
500,000	-	-	500,000	19,409	-
65,000	-	6,500	58,500	2,145	-
150,000	-	-	150,000	6,844	-
765,000	-	-	765,000	33,010	25,330
<u>\$ 1,530,000</u>	<u>\$ -</u>	<u>\$ 16,500</u>	<u>\$ 1,513,500</u>	<u>\$ 63,406</u>	<u>\$ 25,330</u>

MAHARISHI VEDIC CITY, IOWA

BOND AND NOTE MATURITIES

JUNE 30, 2011

Year Ending June 30,	Revenue Bonds			
	Sewer Revenue Refunding Bonds, Series 2007		Water Revenue Refunding Bonds, Series 2007	
	Issued November 30, 2007		Issued November 30, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2012	4.15 %	\$ 50,000	4.20 %	\$ 10,000
2013	4.20	50,000	4.30	10,000
2014	4.25	50,000	4.40	10,000
2015	4.35	55,000	4.50	10,000
2016	4.40	55,000	4.60	10,000
2017	4.45	60,000	4.70	10,000
2018	4.55	60,000	4.80	10,000
2019	4.60	65,000	-	-
2020	4.65	65,000	-	-
2021	4.70	70,000	-	-
2022	4.75	75,000	-	-
2023	4.80	75,000	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Total		\$ <u>730,000</u>		\$ <u>70,000</u>

Year Ending June 30,	Revenue Notes			
	Road Use Tax Revenue Note		University Revenue Note, Series 1	
	Issued October 25, 2003		Issued February 2, 2004	
	Interest Rates	Amount	Interest Rate(Variable)	Amount
2012	4.00 %	\$ 10,000	3.88 %	\$ -
2013	4.00	10,000	3.88	-
2014	4.00	10,000	3.88	500,000
2015	4.00	10,000	-	-
Total		\$ <u>40,000</u>		\$ <u>500,000</u>

Revenue Bonds						
Sewer Revenue Bonds, Series 2007		Sewer Revenue Bonds, Series 2010A		Taxable Housing Development Fund Revenue Bonds		
Issued December 27, 2007		Issued February 10, 2010		Issued April 26, 2010		
Interest Rates	Amount	Interest Rates	Amount	Interest Rate (Variable)	Amount	Total
3.00 % \$	36,000	3.00 % \$	25,000	6.00 % \$	-	\$ 121,000
3.00	37,000	3.00	26,000	6.00	225,000	348,000
3.00	38,000	3.00	27,000	-	-	125,000
3.00	39,000	3.00	28,000	-	-	132,000
3.00	40,000	3.00	29,000	-	-	134,000
3.00	41,000	3.00	30,000	-	-	141,000
3.00	43,000	3.00	30,000	-	-	143,000
3.00	44,000	3.00	31,000	-	-	140,000
3.00	45,000	3.00	33,000	-	-	143,000
3.00	47,000	3.00	34,000	-	-	151,000
3.00	48,000	3.00	35,000	-	-	158,000
3.00	49,000	3.00	36,000	-	-	160,000
3.00	51,000	3.00	37,000	-	-	88,000
3.00	53,000	3.00	38,000	-	-	91,000
3.00	54,000	3.00	39,000	-	-	93,000
3.00	56,000	3.00	41,000	-	-	97,000
3.00	57,000	3.00	42,000	-	-	99,000
-	-	3.00	43,000	-	-	43,000
-	-	3.00	13,840	-	-	13,840
	<u>\$ 778,000</u>		<u>\$ 617,840</u>		<u>\$ 225,000</u>	<u>\$ 2,420,840</u>

Revenue Notes						
Water Revenue Loan Agreement Anticipation Note		Sewer Revenue Loan Agreement Anticipation Note		Taxable Organic Greenhouse Revenue Notes		
Issued November 14, 2008		Issued November 12, 2009		Various Issue Dates		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates (Various - Blended)	Amount	Total
4.50 % \$	5,000	4.50 % \$	150,000	7.63 % \$	765,000	\$ 930,000
4.50	5,000	4.50	-	-	-	15,000
4.50	48,500	4.50	-	-	-	558,500
4.50	-	4.50	-	-	-	10,000
	<u>\$ 58,500</u>		<u>\$ 150,000</u>		<u>\$ 765,000</u>	<u>\$ 1,513,500</u>

MAHARISHI VEDIC CITY, IOWASCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDSFOR THE LAST YEAR2011RECEIPTS:

Property tax	\$	43,406
Other City tax		5,788
Use of money and property		495
Intergovernmental		30,473
Miscellaneous		107,650
Total	\$	<u>187,812</u>

DISBURSEMENTS:

Operating:		
Public safety	\$	22,569
Public works		6,646
Culture and recreation		6,790
Community and economic development		114,534
General government		32,815
Debt service		31,407
Total	\$	<u>214,761</u>

OTHER SUPPLEMENTARY INFORMATION



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Hammack, CPA
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)
Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
Maharishi Vedic City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Maharishi Vedic City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise Maharishi Vedic City, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated April 27, 2012. Our report expressed qualified opinions on the financial statements which were prepaid in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maharishi Vedic City, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maharishi Vedic City, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Maharishi Vedic City, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-11 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-11 through II-F-11 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maharishi Vedic City, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Maharishi Vedic City, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit Maharishi Vedic City, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maharishi Vedic City, Iowa and other parties to whom Maharishi Vedic City, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maharishi Vedic City, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.



Maharishi Vedic City, Iowa
April 27, 2012

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, because we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-11 Preparation of Financial Statements - A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion – Response accepted.

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements (Continued)

- II-C-11 Reimbursement Policies – Even though the City reimburses employees for mileage and cell phone usage, no policy exists for such reimbursements.

Recommendation – The City should adopt formal policies regarding reimbursement of mileage and use of personal cell phones.

Response – We will consider adopting these respective policies.

Conclusion – Response accepted.

- II-D-11 Personnel Policies and Procedures – During the audit, it was discovered that the City had not adopted several policies and procedures that are necessary for any employer to provide to its employees such as a written compensated absences policy and an employee handbook. As a result, no accrued compensated absences amount could be determined and, therefore, none is disclosed in the notes to the financial statements.

Recommendation – The City should adopt formal personnel policies and procedures and provide them to all employees.

Response – We will consider adopting these policies and procedures.

Conclusion – Response accepted.

- II-E-11 Uniform Chart of Accounts – The City has not adopted a Uniform Chart of Accounts. The City also uses accounting software that does not appear to be compatible with fund accounting.

Recommendation – To provide better financial information and internal control, we recommend adopting and implementing the Uniform Chart of Accounts for Iowa City Governments. In addition, the City should either work with the accounting software provider to ensure the software can be made compatible with fund accounting or seek a new software provider which may help to resolve this issue.

Response – The City Clerk has taken steps to investigate the possibility of seeking new software which would be more compatible with fund accounting than their current software. The City will also consider the adoption of a Uniform Chart of Accounts.

Conclusion – Response accepted.

- II-F-11 Payroll Tax Returns – We noted that the Employer's Quarterly Federal Tax Return was not filed in a timely manner for the 1st quarter of 2011.

Recommendation – The City should ensure that all reports are filed when due.

Response – We will do so.

Conclusion – Response accepted.

Instances on Non-Compliance:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rogers Badgett, Council Member, Owner of The Raj	Maintenance of City municipal sewer plant	\$ 78,500
Rogers Badgett, Council Member, Revenue note holder	Interest	805

In accordance with Chapter 362.5(3)(m) of the Code of Iowa, the interest paid to Rogers Badgett may represent a conflict of interest. Additionally, the transactions with The Raj were not entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa and may represent a conflict of interest.

Recommendation – The City should comply with Chapters 362.5(3)(e) and 362.5(3)(m) of the Code of Iowa and ensure any transactions with related parties paid in excess of \$2,500 during the fiscal year are entered into through the required competitive bidding process.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes for the meeting held on April 15, 2011 were not properly signed as required by Chapter 380.7(4) of the Code of Iowa.

Recommendation – The City should comply with Chapter 380.7(4) of the Code of Iowa and all minutes should be properly signed.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-G-11 Financial Condition – Note 7 to the financial statements reported deficit fund balances at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – We are aware of the deficit balances. See Note 7 for further explanation.

Conclusion – Response accepted.

MAHARISHI VEDIC CITY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-H-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted. During the audit, it was determined that the City had not adopted an investment policy as required by Chapter 12 of the Code of Iowa.

Recommendation – An investment policy should be adopted as required by the Code of Iowa.

Response – In March 2012, the City approved the adoption of a formal investment policy.

Conclusion – Response accepted.

- III-I-11 Revenue Bonds and Notes – Non-compliance with the water and sewer revenue bond resolutions were noted during the year ended June 30, 2011. Separate sinking funds were not established or maintained as required by respective bond resolutions.

Recommendation – Procedures should be implemented to ensure that all bond resolutions are compiled with.

Response – We will do so.

Conclusion – Response accepted.